ANNUAL REPORT

2013-2014

Founded in 1972, the Institute for Research on Public Policy is an independent, national, bilingual, nonprofit organization.

The IRPP seeks to improve public policy in Canada by generating research, providing insight and sparking debate on current and emerging policy issues facing Canadians and their governments.

The Institute's independence is assured by an endowment fund, to which federal and provincial governments and the private sector contributed in the early 1970s.

BOARD OF DIRECTORS

Graham W.S. Scott, Toronto, Chair
A. Anne McLellan, Edmonton, Vice-Chair
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Ian D. Clark, Toronto, Ontario
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Richard Florizone, Halifax, Nova Scotia
Lea B. Hansen, Toronto, Ontario
V. Peter Harder, Ottawa, Ontario
George E. Lafond, Victoria, British Columbia
Paul M. Tellier, Montreal, Quebec

FINANCIAL HIGHLIGHTS

YEAR ENDED MARCH 31, 2014 (THOUSANDS OF DOLLARS)

	2014	2013	2012
Operational budget	2,268	2,571	2,306
Expenses	2,341	2,545	2,229
Operational budget over/under expenses	(73)	26	77

Underlined text in this report indicates a hyperlink to the IRPP's website (http://irpp.org/).

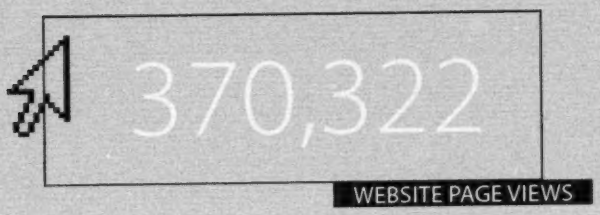
OUR MISSION

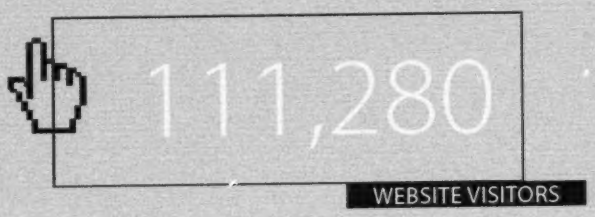
As we look forward, it is clear that independent research has never mattered more than it does now to the development of sound public policy. This happens to be the Institute's core mission — to help improve public policy by generating rigorous analysis and informed debate on current and emerging issues facing Canadians and their governments.

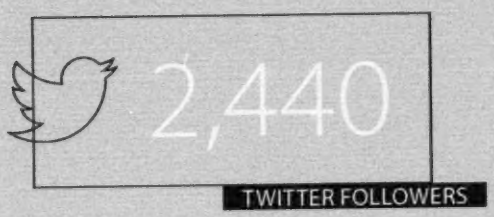
To carry out this mission, we publish peer-reviewed research, which we make accessible to a wide audience. As well, we act as a convenor of policy debates by organizing conferences, round tables and panel discussions to foster open exchanges among stakeholders, academics, policy makers and the general public. We consult and collaborate with researchers in academia and government in order to identify and examine the major policy challenges on the horizon. And we provide a forum for debate in our flagship publication, *Policy Options* magazine.

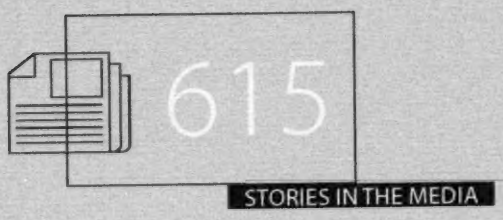
Our current research agenda addresses three fundamental realities that will necessitate important policy responses or adjustments over the medium and long terms: the aging of Canada's population, its growing diversity and pluralism, and the impact on our economy of rapidly changing patterns of global trade and production.

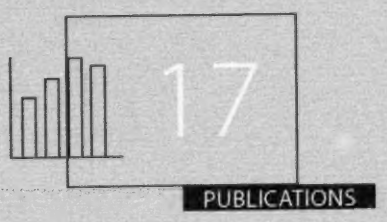
2013-14 IMPACT

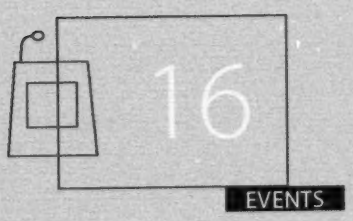












MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS

GRAHAM SCOTT, JUNE 2014

I am proud to share the 2013-14 annual report with you. This past year has been one of growth and development for the IRPP. Turning to Board business, it was a very busy year indeed, with new appointments, committees and the development of the *Board Policy Manual*. In keeping with the times and in the spirit of good governance, we decided to streamline our bylaws and develop a policy manual that defines our governance framework and processes. The manual, which was approved at the Annual General Meeting in June, encompasses our guidelines for strategic direction, financial and organizational integrity, and research program quality and effectiveness.

This year was also one of transition for the Board. Professional commitments and new assignments required two Board members — Jacques Ménard and Howard Bergman — to resign from the Board, in December and June, respectively. On behalf of the Board, I thank them both for their invaluable contributions through the years, and wish them well.

Joining the Board in March are two distinguished members: Michael Decter and Peter Harder. Michael is president and chief executive officer of LDIC Inc., an investment management firm, and has over three decades of experience in senior public sector positions, including deputy minister of health for Ontario. Peter is senior policy adviser to Dentons Canada LLP. Prior to this, he was deputy minister in the Government of Canada; he also served as the most senior public servant in several government departments, including the Treasury Board, the Solicitor General, Citizenship and Immigration, Industry, and Foreign Affairs and International Trade.

We also welcome our inaugural group of emeritus directors — a new title established to recognize the outstanding contributions of past members. This year we bring on board in this position Jim Dinning, John Manley, Barbara McDougall and Jacques Ménard. We are delighted to have them in the IRPP family for another two years.

At the committee level, we welcomed two new non-Board members to the Investment Committee: Patti Croft and Bob Luba. Patti is the founder of Croft Consulting and the former chief economist of Royal Bank of Canada Global Asset Management. Bob is president of Luba Financial Inc., an investment company in Toronto. In the past he served as president and chief executive officer of Royal Bank Investment Management Inc. and president of Crown Life Insurance Company. Fully engaged from the get-go, both Patti and Bob have already contributed in very meaningful ways to the work of the Committee.

Finally, I would like to thank my fellow directors for their dedication to the IRPP and their hard work. With our governance model now well defined, we are ready for the challenges ahead of us.

MESSAGE FROM THE PRESIDENT

GRAHAM FOX, JUNE 2014

Making better decisions. For over four decades, that has been the purpose of the Institute for Research on Public Policy. Our mission is to improve public policy through informed debate, supported by rigorous research. We do so by publishing studies and papers on the issues that dominate the policy agendas of governments across the country, by convening experts and decision-makers for thought-provoking events, and by exploring the policy challenges on the horizon in the pages of *Policy Options* magazine.

Our work matters. In the past year, IRPP publications have recommended changes to Canada's foreign investment regime, highlighted the deficiencies of the Temporary Foreign Worker Program and proposed reforms to Canada's pension system. IRPP conferences have examined the root causes of growing income inequality and shed light on the concept of age-friendly communities. *Policy Options* has explored the future of cities, explained nudge theory and how it affects policy development, and asked whether technology can solve our most wicked problems.

This year has been one of innovation and collaboration. We launched IRPP Insight, a new publication series that provides thoughtful analysis of the issues that dominate the headlines. We joined forces with the Canadian Labour Market and Skills Researcher Network to conduct our work on inequality. And we designed a bold new research initiative that will propose a new approach to trade policy and a new trade agenda for Canadian governments.

Of course, this year has not been without its challenges. Securing funding to conduct truly independent, non-ideological research "without strings" is a pressure felt across the think tank community. We thank most sincerely the many individuals and organizations who, through sponsorships and donations, have enabled us to ask the tough research questions — before we knew what the answers would be. We greatly appreciate your support, and we thank you for your generosity.

In the past 12 months, the IRPP has published 17 studies, papers and reports. It has hosted 16 events and published 6 issues of *Policy Options*. Results like that are not achieved without staff and Board members' commitment to the Institute's mission and unique contribution to public debate. Many thanks to all of you for your dedication and hard work.

Governments remind us all too frequently of the dangers of making decisions without regard for what the evidence tells us. The IRPP remains committed to data-driven, research-informed policy development, and we will continue to provide the evidence to ensure that governments have the information they need to make better decisions.

COMPETITIVENESS, PRODUCTIVITY AND ECONOMIC GROWTH

RESEARCH DIRECTORS: STEPHEN TAPP AND TYLER MEREDITH

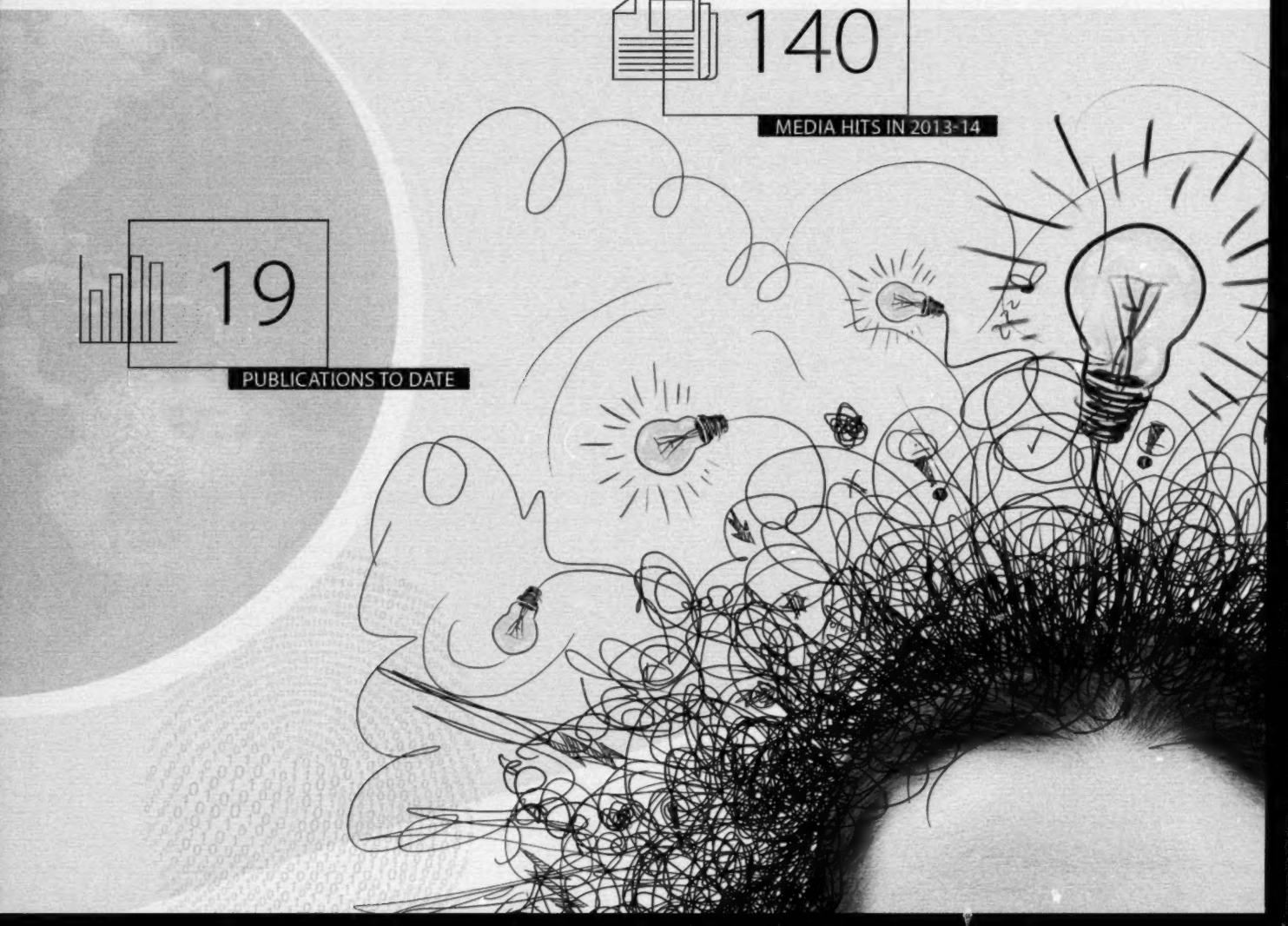
Economic issues have moved front and centre in the wake of the global recession. This research program examines how to foster the economic prosperity and well-being of Canadians. As part of this work, we are launching two ambitious, medium-term research initiatives. The first explores the way changing patterns of global trade and investment are affecting Canada — with the goal of informing the modernization of policies to reflect 21st-century realities. The second initiative rethinks Canada's labour market policy so that it better addresses the skills and employment needs of workers, the unemployed and businesses.

140

MEDIA HITS IN 2013-14

19

PUBLICATIONS TO DATE



THE RESURGENCE OF INDUSTRIAL POLICY

Over the past few decades, governments in countries with advanced economies have generally been reluctant to engage in industrial policy — that is, targeted interventions in specific sectors of the economy. But in their paper, Dan Ciuriak and John Curtis challenge this convention. They point out that despite the prejudice against industrial policy, the truth is that Canada and most advanced economies have long relied on it and continue to do so in many cases. They call for a conversation that thinks critically and unapologetically about where policy interventions can best be used to promote growth in the Canadian economy. While this paper sparked some strong reactions, it received positive attention from the Government of Ontario as it reflected on new policy directions. The authors were invited to present their ideas to two senior-level Ontario government committees.

FOREIGN DIRECT INVESTMENT

Coming on the heels of several public controversies surrounding foreign takeover bids, we published a study by competition and investment law experts, Dany Assaf and Rory McGillis. Their paper provides much-needed analysis on how Canada's investment review regime compares globally, and offers a series of recommendations to increase the transparency and certainty of the regulatory process. In the aftermath of changes to the *Investment Canada Act*, the paper was referred to several times in parliamentary debates on foreign takeovers, and the authors were invited to testify before the House of Commons.

STRENGTHENING CANADA'S LABOUR MARKET

In launching our new theme on labour market policy, Cliff Halliwell's study paints a broad picture of the prospects and challenges that Canada will encounter as the employment effects of population aging, globalization and technological change continue to unfold over the coming decade. The paper helped broaden the ongoing public debate over the extent of the skill shortages on the horizon to include the need for employers and policy-makers to better develop and use skills of Canadians in the labour force. The study received positive attention and interest from media, stakeholders and decision-makers alike.

Jason Kenney @kenneyjason

Thoughtful-ed by former official Cliff Halliwell on importance of connecting young CDNs w/ the jobs of the future: http://www.huffingtonpost.ca/cliff-halliwell-/...

DIVERSITY, IMMIGRATION AND INTEGRATION

RESEARCH DIRECTOR: F. LESLIE SEIDLE

As immigration becomes the primary source of labour force and population growth in Canada, it is important to better understand the economic and social barriers that newcomers face and explore ways to improve these newcomers' integration.

111

MEDIA HITS IN 2013-14

37

PUBLICATIONS TO DATE

TEMPORARY FOREIGN WORKERS

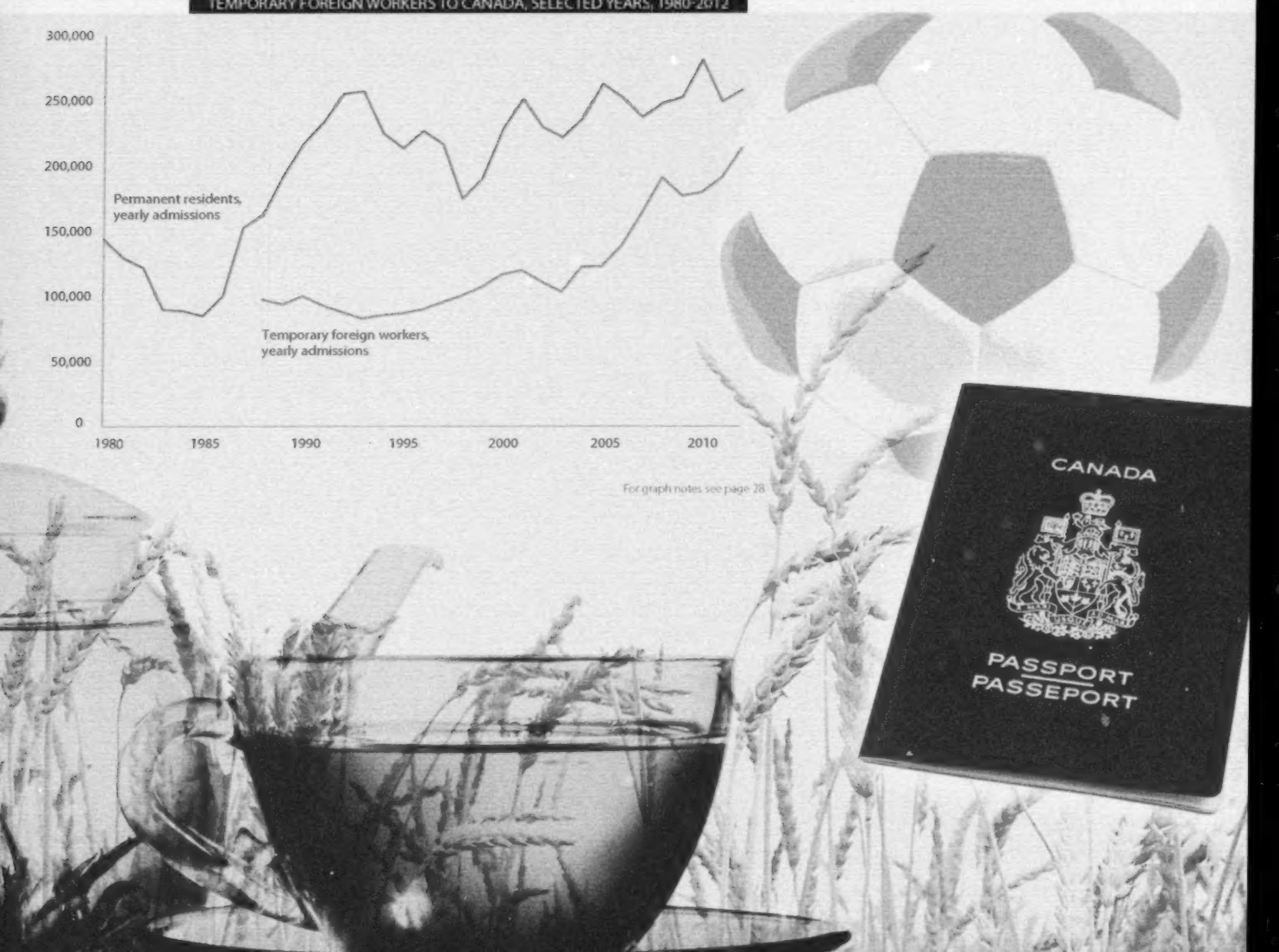
A dramatic increase in the number of temporary foreign workers (TFWs) in recent years has led to debates about the potential displacement of Canadians' jobs and controversy over the employment conditions of temporary migrants. In October, we published Christopher Worswick's examination of the economic implications of recent changes to the Temporary Foreign Worker Program. His paper examines the links between skills shortages in certain sectors, the growing reliance on foreign workers and the implications for young Canadians in particular. He recommends imposing an annual limit on the number of TFWs entering Canada while additional reforms are considered. The paper informed important policy debates and elicited much interest from the media, sparking over 50 news stories.

ELECTORAL AND CIVIC INVOLVEMENT OF IMMIGRANTS

The civic involvement of immigrants helps make Canada's commitment to diversity a reality by bringing together Canadians from various backgrounds and encouraging inclusion and mutual learning. But there is still a considerable amount of work to do for immigrant communities to be fully included in civic and political life. In October, we partnered with Samara, Elections Canada, Maytree and the Centre for the Study of Democratic Citizenship to explore this issue. Our worshop provided a rich exchange of views based on existing research and work in progress, and was an opportunity to identify gaps in our knowledge.

ADMISSIONS OF PERMANENT RESIDENTS AND TEMPORARY FOREIGN WORKERS TO CANADA, SELECTED YEARS, 1980-2012

For graph notes see page 28



FACES OF AGING

RESEARCH DIRECTORS: NICOLE F. BERNIER AND TYLER MEREDITH

Population aging will present a host of complex social and economic challenges for governments at all levels over the next few decades. The Faces of Aging program examines this demographic phenomenon and its implications for public policy and society at large.

Wellbeing Toronto @WellbeingTO
Multiple champions are necessary to make communities age friendly #AgingOn #collaboration pic.twitter.com/25uqgM34VA

24
PUBLICATIONS TO DATE

AGE-FRIENDLY COMMUNITIES

Federal and provincial governments across Canada are increasingly calling upon local governments to adopt services to the needs of an aging population. But what do concepts such as "aging in place" and "age-friendly communities" mean in practical terms for policy-makers? In November, in partnership with the Government of Ontario, we examined this question in the context of a two-day symposium that brought together researchers and decision-makers from the public, private and nonprofit sectors. The event provided a unique forum to discuss the state of play in and the barriers to developing age-friendly communities in Ontario, and it will lead to new research and discussions in other parts of the country.

What seems clear at this point is that to implement an age-friendly-communities agenda, policy-makers need to break down the silos hampering coordination, recognize the diverse needs of seniors and redefine concepts like active aging and dependency. Aging successfully is not only a function of individual seniors' actions, it also depends on the nature of the environment where seniors live and receive care. In his February 2013 paper, Stephen Golant takes a critical look at the age-friendly-communities movement and says that its leaders need to reconsider their goals. He argues that instead of trying to help the frailest older people remain independent in their homes as long as possible, such initiatives should focus their efforts on healthy, middle-class seniors.

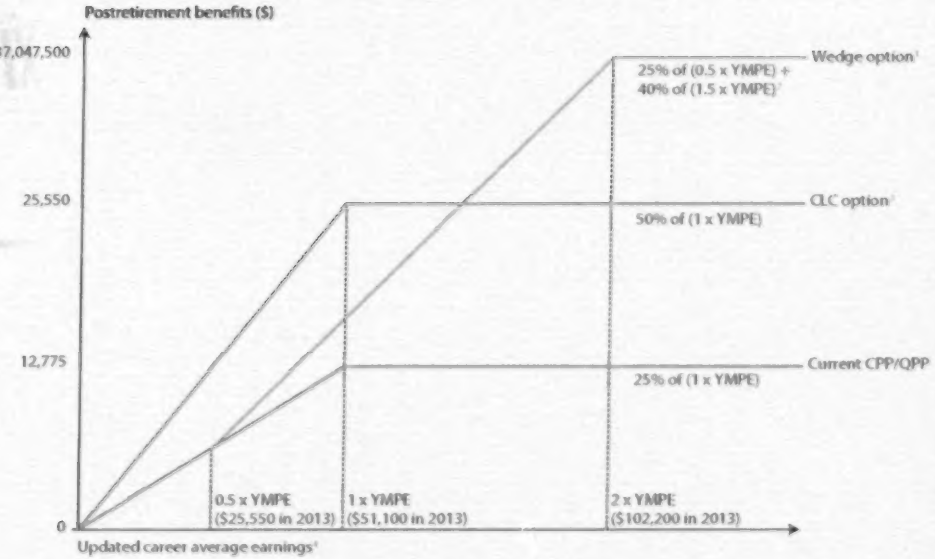
THE PENSION DEBATE

Approximately half of middle-income earners over 40 today are expected to see a significant decline in their standards of living upon retirement. And many of the reforms recently adopted or proposed do not address this impending income gap. Michael Wolfson convincingly challenges conventional assumptions about pension reform in his study. His "wedge" option was included in the proposal for CPP reform put forward by the Government of Prince Edward Island, and it received support from a number of provinces when the country's finance ministers gathered for their annual meeting in December. Wolfson's research was also discussed in a number of articles and opinion pieces in the *Globe and Mail* and *Maclean's* magazine in the lead-up to the December meeting.

Diane Dyson @Diane_Dyson

Our policy agenda has to be driven by more than those who scream loudest or know the mayor. Listen for quiet (silenced) voices. #AgingON

SCHEMATIC REPRESENTATION OF TWO CPP/QPP REFORM PROPOSALS



115

MEDIA HITS IN 2013-14

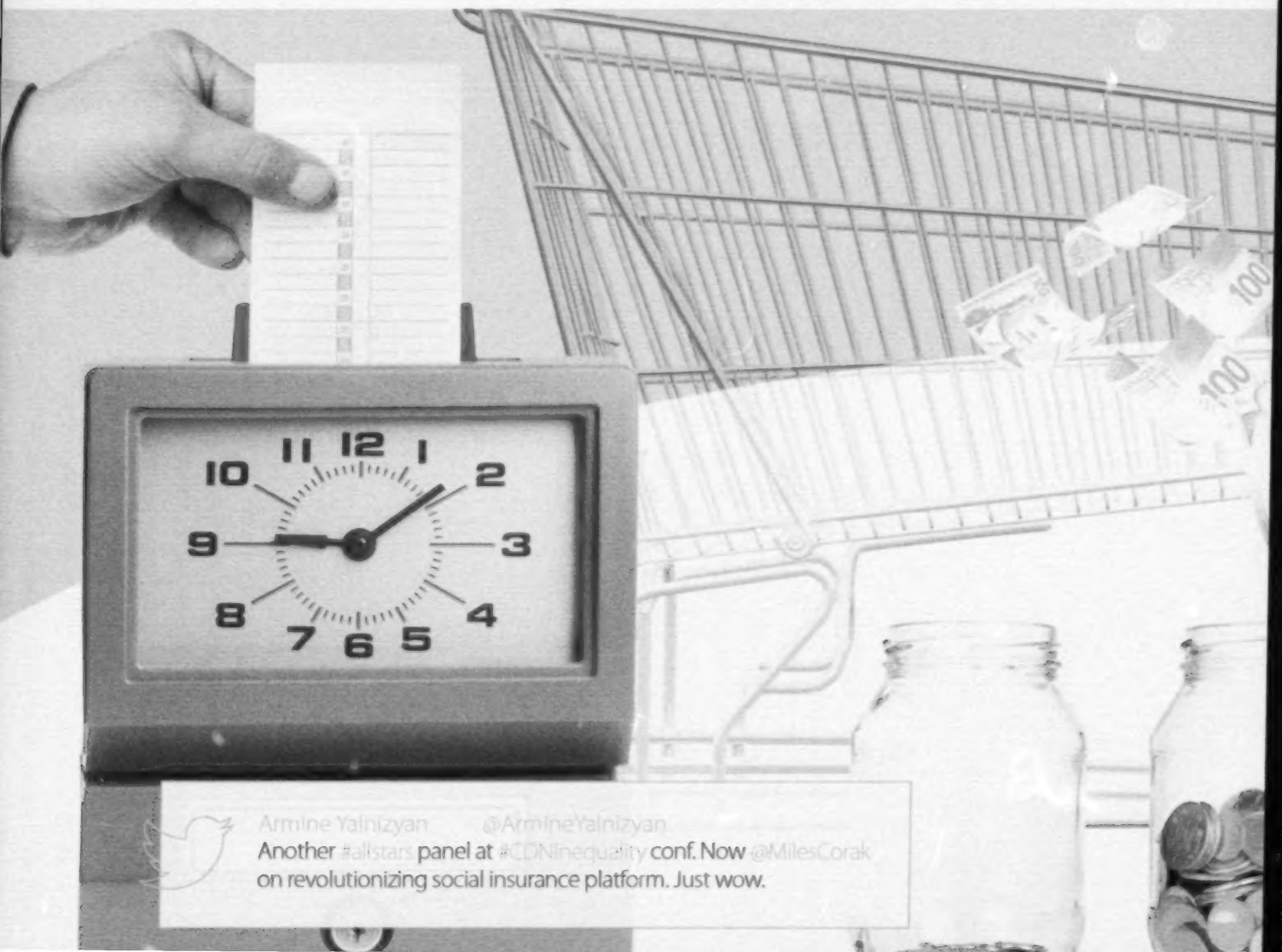
For graph notes see page 28

ART OF THE STATE V | INEQUALITY IN CANADA

DRIVING FORCES, OUTCOMES AND POLICY

RESEARCH DIRECTOR: FRANCE ST-HILAIRE

Wage and household income inequality — which has increased in many countries over the past three decades — is now at the forefront of public debate in Canada and elsewhere. Indeed, inequality raises fundamental questions about equity and fairness in society. Recent research also shows that it can undermine progress in health and education, cause political and economic instability and hamper adjustment to economic shocks — all factors that are detrimental to growth.


Armine Yalnizyan @ArmineYalnizyan
Another #allstars panel at #CDNinequality conf. Now @MilesCorak
on revolutionizing social insurance platform. Just wow.

Much of this evidence, however, is drawn from the experiences of other countries. So what is the situation in Canada? Has income inequality increased? Is it a problem? If so, what are the forces driving it and what policies, if any, might effectively address it? To investigate these issues, the IRPP and the Canadian Labour Market and Skills Researcher Network (CLSRN) has gathered some of the country's leading experts in a joint initiative to conduct original research on income inequality trends and outcomes in Canada.

The preliminary results of this research were presented at a public conference held in Ottawa in February 2014. Over 130 participants took part in this public event, which enabled a broad-based exchange of views among leading academic researchers, policy-makers, nongovernmental stakeholders, the business community and the media. They covered a range of important topics, including the taxation of top incomes, wage inequality across provinces, job polarization trends, the incidence of poverty and the future of income-support policies.

A highlight of the conference was the keynote address by David Autor (MIT), who has written extensively on wage inequality and the impacts of technological change and globalization on the labour market. In his presentation, Autor pondered the perennial concerns over job displacement due to technological advances and the implications for the middle class.

The papers presented at the conference, as well as additional material, will be published as volume V of The Art of the State, edited by David Green (University of British Columbia), Craig W. Riddell (University of British Columbia) and France St-Hilaire (IRPP).

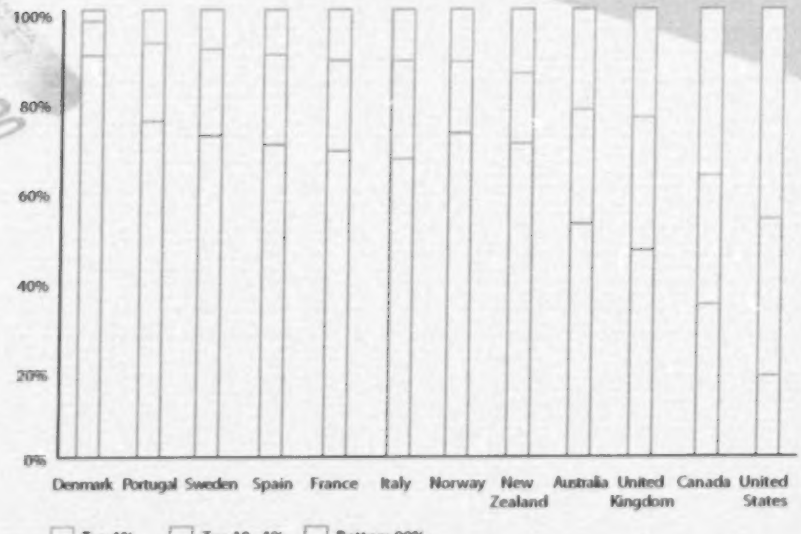
Gerald Butts @gmbutts

Sorry to miss #CDNInequality conference today in #YOW. Looking forward to reading the papers. Good luck to @IRPP

30

MEDIA HITS IN 2013-14

SHARE OF INCOME GROWTH GOING TO INCOME GROUPS FROM 1975 TO 2007



For graph notes see page 28

POLICY OPTIONS | FOR WHAT LIES AHEAD

EDITOR: BRUCE WALLACE

The digital revolution in media has given us almost unfettered access to information, offering once unimagined possibilities to inform ourselves and to cooperate on policy issues. It also makes it easier to retreat intellectually into communities that simply reinforce our biases. The challenge for *Policy Options* as it emerges from print into the digital age is to reject the intellectual tribalism that characterizes the digital media, and serve instead those who seek a wider, richer understanding of policy issues.

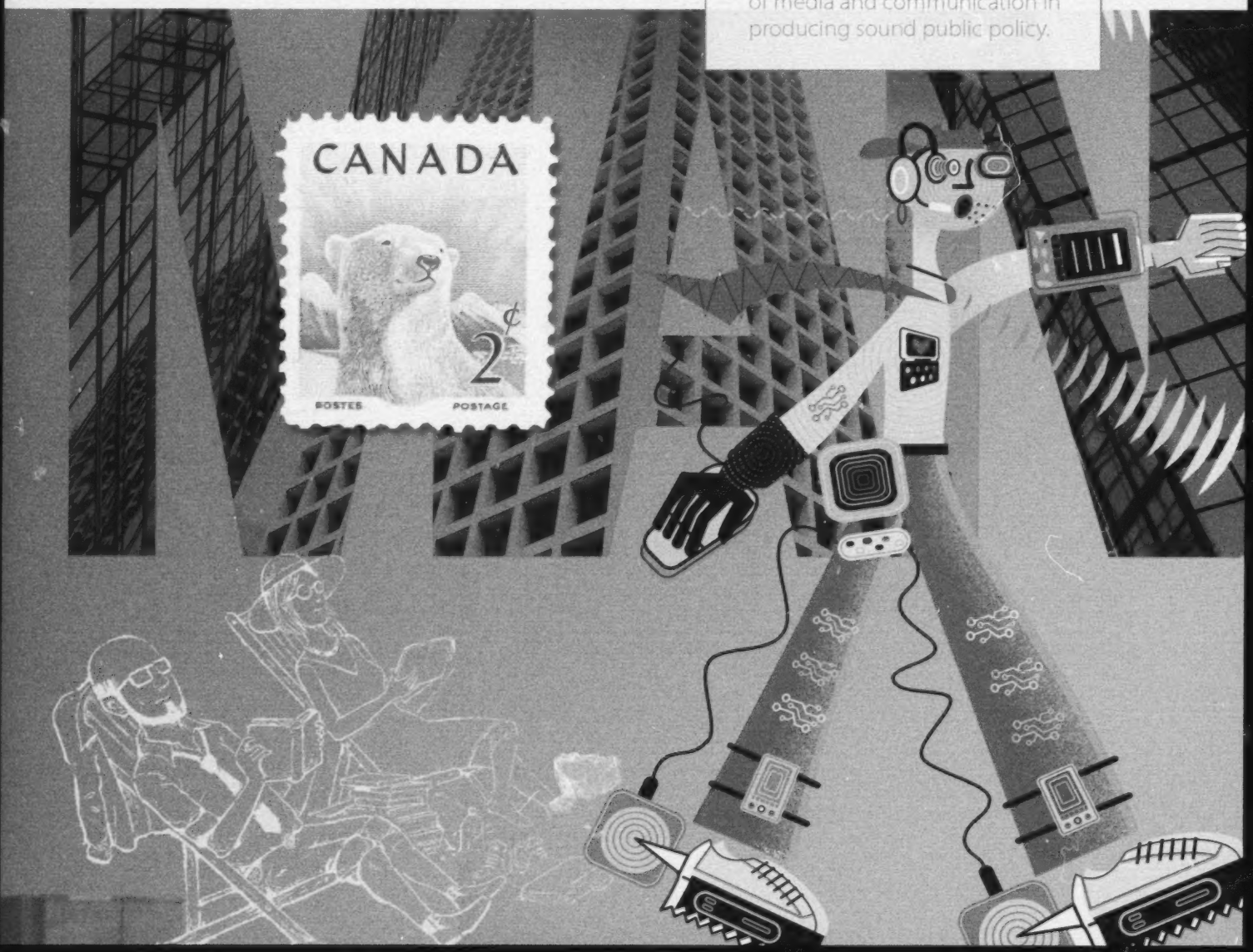
Over the past year, *Policy Options* showed its commitment to building a smart, lively, forward-looking magazine. We found new voices and wrote about new issues. We turned our coverage away from the churn of the politics of the moment to focus on new technologies, ideas and emerging issues that will shape the future of the country and the world. We challenged conventional political and media narratives, finding new ways to look at our cities, offering an alternative perspective on the Middle East and Afghanistan conflicts, and questioning whether old models of economic growth are breaking down. We increased the amount of content in each issue with more, shorter articles, while maintaining our appetite for long-form writing such as Matthew Nisbet's in-depth examination of influential anti-Keystone pipeline activist Bill McKibben's political philosophy.

We dramatically improved the magazine's design, bringing a reader-friendly sensibility to its internal pages and producing more dramatic cover art. For the first time, the magazine is employing photography as a story-telling tool on policy issues, using visual cues to stir interest and thought about issues that can appear stale in text-only formats. The emphasis on photography in the print version sets the stage for an expanded visual approach in developing an online direction for policy discussion and debate.

We have reduced the number of print issues to six a year (from ten), which are now designed to match the political and academic calendar. This allows us to focus more resources on developing exclusively online publishing year-round. This focus will increase in the coming year as we assert our presence online and continue to create an identity as a leading, original voice in the country's policy community.

DID YOU KNOW?

This year, *Policy Options* editor Bruce Wallace spoke with government leaders on several occasions about the importance of media and communication in producing sound public policy.



COMMUNICATIONS

COMMUNICATIONS OFFICER: SHIRLEY CARDENAS

The IRPP continues to help shape Canada's most important conversations. Since our creation, we have led national debates on the top issues of the day, from free trade, constitutional reform and the future of health care, to diversity and immigration, economic growth and competitiveness, and long-term care and pension reform. Our experts have been published in opinion pages from coast to coast and seen and heard on leading current affairs programs.

In 2013-14 there were over **615** mentions of the Institute and its work in newspapers and broadcasts across the country. During this period, our website had over **370,300** page views and **111,280** visitors. The majority of these visitors were from Canada, followed by the United States and the United Kingdom. Many of them were linked to our content through social websites such as Twitter (**24.6%**) and Facebook (**7.6%**).

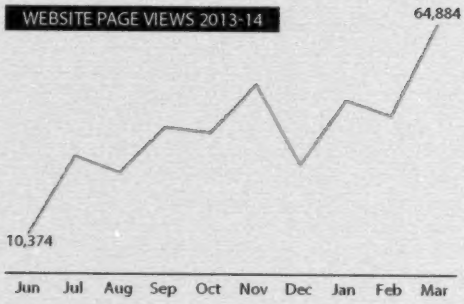
In March 2014, the IRPP saw an increase of 100 followers on Twitter – to a total of **2,440** followers and a worldwide audience reach of **2,397,443**. In February 2014, the IRPP embraced social media as a tool to further public policy discussion on inequality in Canada. The IRPP-CLSRN Conference saw over **250** live tweets during the two-day event and over **22,552** page views of the live Twitter stream on our website.

Finally, over the past year the Institute launched a new, modern website and newsletter. These tools bring together recent and archived studies on Canada's most pressing issues, interviews with and op-eds by leading authors, audio recordings of our events, and past issues of *Policy Options*.

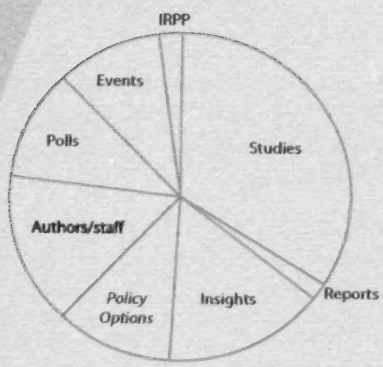
DID YOU KNOW?

Last year we reported our impact on the "Twittersphere" for the first time. As part of our evolving social media strategy, we are using new metrics to measure our online footprint.

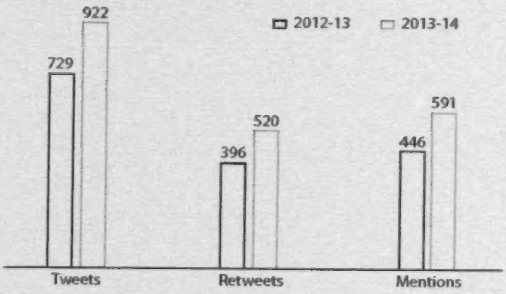
WEBSITE PAGE VIEWS 2013-14



NEWS COVERAGE 2013-14



TWITTER IMPACT 2012-14



ENGAGING THE POLICY COMMUNITY

Throughout the year we brought together expertise and perspectives across Canada on critical policy issues facing the country. In May-June 2013, the IRPP organized three panel sessions at the Canadian Economics Association conference. These sessions explored the prospects and challenges for Canada's labour market; the future of federal-provincial fiscal relations; and foreign direct investment rules.

DID YOU KNOW?

In addition to relying on various media and communications channels, the IRPP makes a concerted effort to disseminate its research widely among decision-makers. Each study is sent to elected officials, senior public servants, experts and other stakeholders who have an interest in specific research areas.

SUPPORTING TOMORROW'S LEADERS

EU-Canada Study Tour
The IRPP held a briefing on Canadian policy for a group of students from 23 countries on a study tour organized by the European Network for Canadian Studies.

Public Administration Case Competition
Students from 12 schools across Canada gathered in Toronto to compete against one another in a case competition sponsored by the IRPP.

Canadian Priorities Agenda
Students took on the role of judges and wrote papers proposing a policy agenda. Winning essays in this competition were published on irpp.org.

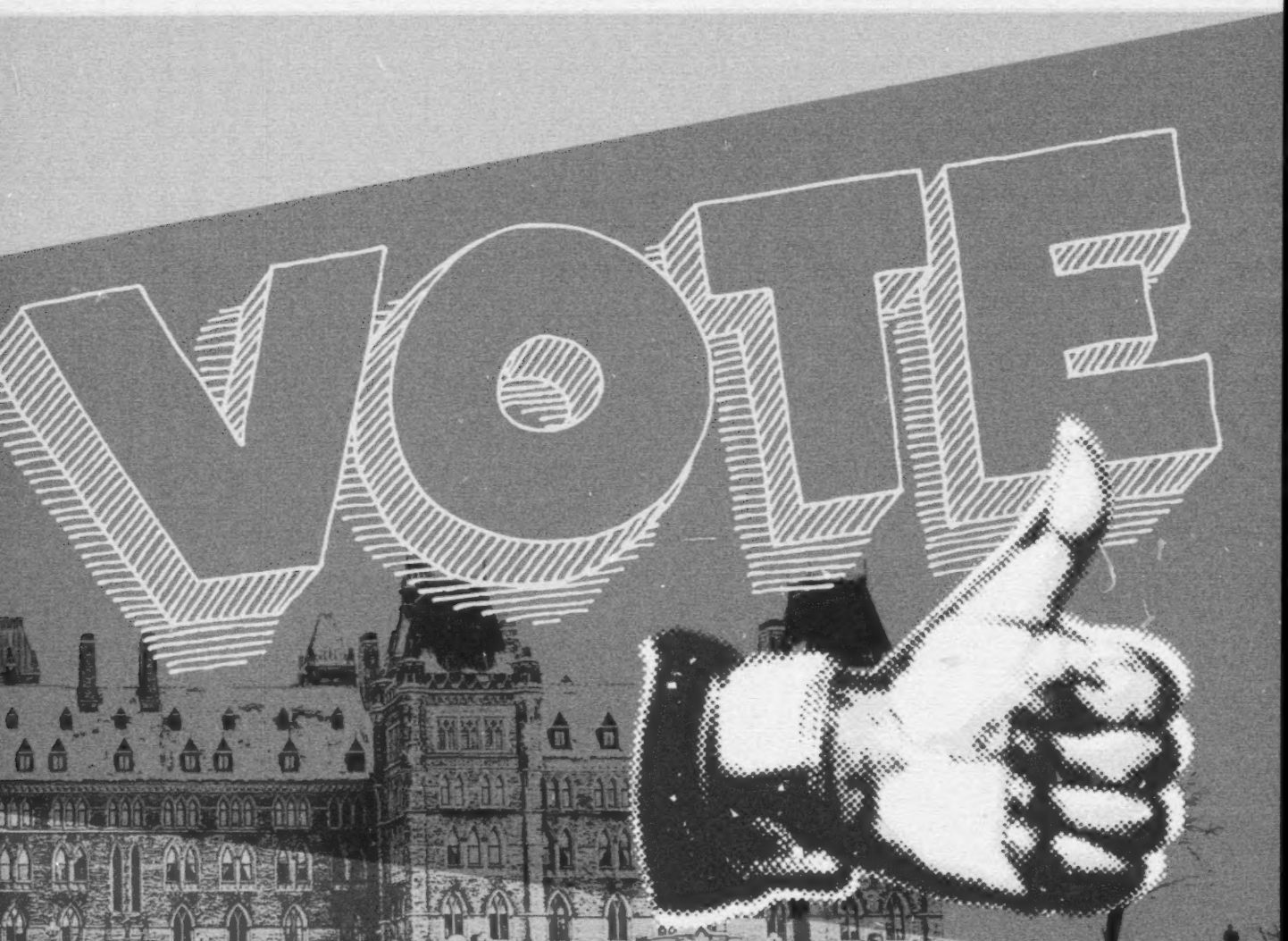
4P Training Program
Graduate students interested in public health took part in a seminar on research and public policy hosted by the IRPP.

In September, we took a closer look at the study of Canadian issues by economists in Canada. In an article for *Policy Options* magazine, IRPP research director Stephen Tapp, together with Herb Emery and Wayne Simpson, argued that the decline of Canadian-focused work by economists is a serious cause for concern — for taxpayers, policy-makers and students. The authors recommended changing the way government research funds are disbursed and improving researchers' access to data, and they called for broader soul-searching among economists on the issue. Not surprisingly, this piece sparked a lively discussion — *Policy Options* published several thoughtful reactions from prominent Canadian economists.

We also partnered with the Centre for the Study of Democratic Citizenship in February 2014 to examine the implications of the *Fair Elections Act*. This round table convened diverse perspectives from researchers, policy-makers, stakeholders and the media. Following this event, IRPP President Graham Fox and Research Director F. Leslie Seidle were invited to testify before the House of Commons.

While the IRPP is an active participant in public debates, we also disseminate our knowledge through private meetings and presentations. In light of the federal government's proposed Canada Job Grant, in November we convened senior leaders from across sectors for a timely discussion on productivity and employee training. And in March 2014, we partnered with the Privy Council Office to explore policy issues in Canadian federalism.

This year we made a point of fostering professional and leadership development. Graham Fox was invited by the United Kingdom Foreign Secretary to take part in an international leaders program in the United Kingdom. He joined delegates from around the world to discuss social and prosperity issues. In May 2013, he spoke to senior leaders from the Government of Alberta about the importance of the not-for-profit sector in public administration. This meeting, organized by Interchange Canada, contributed to job enrichment, skills exchanges and the building of partnerships with other sectors.



PUBLICATIONS AND EVENTS

COMPETITIVENESS, PRODUCTIVITY AND ECONOMIC GROWTH

PUBLICATIONS

Foreign Direct Investment and the National Interest: A Way Forward
Dany H. Assaf and Rory A. McGillis
April 18, 2013

The Resurgence of Industrial Policy and What It Means for Canada
Dan Ciuriak and John M. Curtis
June 18, 2013

Canadian Policy Prescriptions for Dutch Disease
Robin Boadway, Serge Coulombe and Jean-François Tremblay
October 10, 2013

No Shortage of Opportunity: Policy Ideas to Strengthen Canada's Labour Market in the Coming Decade
Cliff Halliwell
November 8, 2013

EVENTS

ROUND TABLE
"L'Après Comité D'Amours : Discussions sur les réformes des pensions au Québec"
April 25, 2013, Montreal

CONFERENCE PANEL SESSIONS
Canadian Economics Association Annual Conference
May 31-June 2, 2013, Montreal

ROUND TABLE
"Foreign Direct Investment in Ontario: What Are the Needs, Challenges and Policy Issues?"
June 3, 2013, Toronto

ROUND TABLE
"Firms, Productivity and Employee Training: What Do We Know? Where Do We Go?"
November 22, 2013, Ottawa

WORKING LUNCH
"Is It Time to Reinvent Employment Insurance?"
January 22, 2014, Ottawa

DIVERSITY, IMMIGRATION AND INTEGRATION

PUBLICATIONS

2nd Canada-Australia Round Table on Foreign Qualification Recognition: Report
Quinn Albaugh and F. Leslie Seidle
April 30, 2013

Economic Implications of Recent Changes to the Temporary Foreign Worker Program
Christopher Worswick
October 17, 2013

Workshop on the Electoral and Civic Involvement of Canada's Immigrant Communities: Report
Quinn Albaugh and F. Leslie Seidle
October 25, 2013

Canada's Provincial Nominee Immigration Programs: Securing Greater Policy Alignment
F. Leslie Seidle
December 12, 2013

Becoming Canadian: Making Sense of Recent Changes to Citizenship Rules
Elke Winter
January 16, 2014

Understanding Intergenerational Social Mobility: Filipino Youth in Canada
Philip Kelly
February 19, 2014

EVENTS

WORKING LUNCH
"Interculturalism, Community Cohesion and the City"
April 11, 2013, Montreal

SEMINAR
"L'interculturalisme au Québec: le point de vue d'un Catalan"
June 12, 2013, Montreal

WORKSHOP
"Electoral and Civic Involvement of Canada's Immigrant Communities"
October 25, 2013, Toronto

FACES OF AGING

PUBLICATIONS

How to Bend the Cost Curve in Health Care
Steven Lewis and Terrence Sullivan
May 31, 2013

Not-So-Modest Options for Expanding the CPP/QPP
Michael Wolfson
July 15, 2013

Age-Friendly Communities in Ontario: Multi-Level Governance, Coordination Challenges and Policy Implications: Report
Maya Cerda and Nicole F. Bernier
November 4-5, 2013

Age-Friendly Communities: Are We Expecting Too Much?
Stephen M. Golant
February 13, 2014

EVENTS

SYMPOSIUM
"Age-Friendly Communities in Ontario: Multi-Level Governance, Coordination Challenges and Policy Implications"
November 4- 5, 2013

WORKING LUNCH
"Bending the Cost Curve in Health Care: Can It Be Done?"
November 18, 2013, Ottawa

SEMINAR
"De la recherche à l'action: le point de vue d'un think tank"
December 19, 2013, Montreal

THE ART OF THE STATE

PUBLICATION

Report on the IRPP-CLSRN Conference on Inequality in Canada
Stephen Tapp
March 31, 2014

EVENT

CONFERENCE
"Inequality in Canada: Driving Forces, Outcomes and Policy"
February 24-25, 2014

OTHER

PUBLICATIONS

Winning student CPA essays

A Strategy for a Competitive Canada: Three New Trends in Global Competition
Fardowsa Hashi
September 3, 2013

Efficiency and Equality: Can Canada Have It All?
Linda Friis Petersen
September 3, 2013

EVENTS

SEMINAR
"EU-Canada Study Tour 2013: Thinking Canada"
September 17, 2013, Montreal

ROUND TABLE
"Round Table on the *Fair Elections Act*"
February 21, 2014, Montreal

WORKSHOP
"Breaking Down the Barriers to Health Care Reform"
March 20, 2014, Ottawa

WORKSHOP
"Interpretations of Current Issues in Canadian Federalism"
March 21, 2014, Montreal

REPORT OF THE INVESTMENT COMMITTEE

CHAIR: IAN D. CLARK
MEMBERS: PATTI CROFT, JOCK FINLAYSON, LEA HANSEN, MICHAEL KOERNER AND BOB LUBA

The objective of the IRPP's Endowment Fund is to support the work of the Institute. The Investment Committee seeks to maintain the real value (after inflation) of the Fund so that it can continue to provide financial support to the Institute. The role of the Investment Committee is to consider and recommend an appropriate asset mix for the Fund, to advise the Board of Directors on the Institute's investment strategy and to select external investment managers and hold them accountable for their performance (both return and risk) in meeting the mandate objectives.

The Committee and the Board have always recognized that supporting the operations of the Institute and protecting the value of the Fund may be competing objectives. For this reason, in 1987 the Board decided that rather than using the actual income generated by the Fund in any one year, the Institute would withdraw an amount equal to 5 percent of the average of the last three years of the Fund's capital value, measured at fiscal year-end. That amount was raised to 5.5 percent for 1997-2000, and 6 percent for 2005-07.

The Fund was significantly affected by the financial crisis that began in the fall of 2008. Consequently, in December 2009, the Board decided to gradually reduce the rate of draw to 4 percent by 2014-15. To further reduce the transmission of portfolio volatility onto the amount released annually from the Fund to support the operations, the modified Yale Formula was selected for the spending policy. This formula consists of taking 80 percent of the allowable spending in the prior fiscal year, increased by the rate of inflation (as measured by the Consumer Price Index) for the 12 months ending December 31; and 20 percent of the long-term spending rate applied to the four-quarter market average of the Fund for the period ending December 31 prior to the start of the current fiscal year.

In late 2012, the decision was made to change the asset-mix allocation of the portfolio from 60 percent invested in equities and 40 percent invested in fixed income to 70 percent invested in equities (30 percent in Canadian, 20 percent in US, and 20 percent in global) and 30 percent in fixed income. To manage the new mix, the Committee decided to hire Burgundy Asset Management for the equity portion of the Fund and to continue working with Beutel Goodman for the fixed-income portion of the Fund.

Over the years, the Investment Committee has taken several measures to ensure the optimal management of the Fund, and 2013-14 was no exception. To complement the expertise in place, the Committee welcomed three new members: non-Board members Patti Croft and Bob Luba, and Board member Jock Finlayson. (The Committee will also welcome new Board member Michael Decter in May 2014.) Together, this renewed membership made explicit the Committee's terms of reference, reviewed and updated the Statement of Investment Policy and Procedures and considered alternative mechanisms for transferring funds from the Fund to the Institute's operations.

For fiscal year 2013-14, the money transferred from the Fund amounted to $1,861,463, a decrease of approximately $45,964 from the transfer generated the previous year.

The Fund's combined market value, including other net assets, amounted to $39,535,138 as of March 31, 2014. The asset mix is reported in the table below.

A commitment to equities, superior active equity management, diversification and favourable markets resulted in an 11.44 percent increase, net of the draw for the year's operations, in the Endowment Fund market value in 2013-14.

	TOTAL PORTFOLIO		BURGUNDY ASSET MANAGEMENT		BEUTEL GOODMAN	
MARCH 31, 2014	$	%	$	%	$	%
Equities and others investments	40,424	0.1	-	-	40,424	0.1
Canadian equities	12,057,044	30.5	12,057,044	40.2	-	-
US equities	8,964,195	22.7	8,964,195	29.9	-	-
Non-North American equities	8,945,964	22.6	8,945,964	29.9	-	-
Total equities	30,007,627	75.9				
Fixed income	9,527,511	24.1	-	-	9,527,511	99.9
TOTAL	39,535,138	100.0	29,967,203	100.0	9,567,935	100.0

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF THE
INSTITUTE FOR RESEARCH ON PUBLIC POLICY

Raymond Chabot
Grant Thornton

We have audited the accompanying financial statements of the Institute for Research on Public Policy, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Institute for Research on Public Policy as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Raymond Chabot Grant Thornton LLP[1]

Montréal
June 4, 2014

[1] CPA auditor, CA public accountancy permit no. A110569

OPERATIONS

YEAR ENDED MARCH 31, 2014 (IN THOUSANDS OF DOLLARS)

	2014	2013
	$	$
REVENUES		
Net investment income (note 5)	5,972	2,923
Other revenues		
Policy Options magazine	25	15
Policy Options advertising	35	51
Other publications	17	14
Contributions	269	524
Other	35	74
	381	678
EXPENSES		
General research and support services	1,830	1,921
Policy Options magazine	450	565
Other publications	31	36
Interest	16	10
Amortization of tangible capital assets	14	12
	2,341	2,544
Deficiency of revenues over expenses before net investment income	(1,960)	(1,866)
EXCESS OF REVENUES OVER EXPENSES	4,012	1,057

The accompanying notes are an integral part of the financial statements.

CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2014 (IN THOUSANDS OF DOLLARS)

	Restricted for the financing of operating activities (note 3)	Invested in the intangible asset and tangible capital assets	Unrestricted	2014 Total	2013 Total
	$	$	$	$	$
Balance, beginning of year	33,299	22	2,181	35,502	34,445
Excess (deficiency) of revenues over expenses		(14)	4,026	4,012	1,057
Invested in the intangible asset and tangible capital assets		12	(12)		
Obligation under a capital lease		2	(2)		
Transfer (note 4)	(4,085)		4,085		
BALANCE, END OF YEAR	**29,214**	**22**	**10,278**	**39,514**	**35,502**

The accompanying notes are an integral part of the financial statements.

CASH FLOWS

YEAR ENDED MARCH 31, 2014 (IN THOUSANDS OF DOLLARS)

	2014	2013
	$	$
OPERATING ACTIVITIES		
Excess of revenues over expenses	4,012	1,057
Non-cash items		
Net change in fair value of investments	(5,277)	(2,165)
Amortization of tangible capital assets	14	12
Net change in working capital items (note 6)	(43)	(152)
Cash flows from operating activities	(1,294)	(1,248)
INVESTING ACTIVITIES		
Investments	(7,663)	(34,101)
Disposal of investments	8,874	35,104
Acquisition of tangible capital assets	(10)	(9)
Acquisition of the intangible asset	(2)	
Cash flows from investing activities	1,199	994
FINANCING ACTIVITIES		
Bank loan	290	
Repayment of obligation under a capital lease	(2)	(2)
Cash flows from financing activities	288	(2)
Net increase (decrease) in cash	193	(256)
Cash (bank overdraft), beginning of year	(8)	248
CASH (BANK OVERDRAFT), END OF YEAR	185	(8)

The accompanying notes are an integral part of the financial statements.

FINANCIAL POSITION

MARCH 31, 2014 (IN THOUSANDS OF DOLLARS)

	2014	2013
	$	$
ASSETS		
Current		
Cash	185	
Trade and other receivables (note 7)	307	359
Prepaid expenses	38	22
	530	381
Long-term		
Investments (note 8)	39,535	35,469
Tangible capital assets (note 9)	27	31
Intangible asset (note 10)	2	
	40,094	35,881
LIABILITIES		
Current		
Bank overdraft		8
Bank loan (note 11)	290	
Trade payables and other operating liabilities (note 12)	215	220
Subscription and advertising revenue collected in advance	14	53
Deferred contributions (note 13)	54	89
Current portion of obligation under a capital lease	2	2
	575	372
Long-term		
Obligation under a capital lease (note 14)	5	7
	580	379
NET ASSETS		
Restricted for the financing of operating activities	29,214	33,299
Invested in the intangible asset and tangible capital assets	22	39
Unrestricted	10,278	2,164
	39,514	35,502
	40,094	35,881

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014 (IN THOUSANDS OF DOLLARS)

1. GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Institute for Research on Public Policy is incorporated under Part II of the *Canada Corporations Act*. Its mission is to improve public policy in Canada by generating research, providing insight and sparking debate that will contribute to the public policy decision-making process and strengthen the quality of the public policy decisions made by Canadian governments, citizens, institutions and organizations. It is a registered charity under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for pooled fund investments, which are measured at fair value, and bond investments, which the Organization has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Magazine, advertising, other publications and other revenue

Magazine, advertising, other publications and other revenue is recognized once there is an agreement between the parties, services have been rendered, the price is fixed or determinable and collection is reasonably assured. The liability relating to the received but unearned portion of revenues is recognized in the statement of financial position as subscription and advertising revenue collected in advance.

In addition to the general principles described above, the Organization applies the following specific principles:

– Advertising revenue is recognized on a straight-line basis over the duration of the contract, once advertising is edited;

– Magazine and other publications revenue is recognized on a straight-line basis over the duration of subscriptions;

– Other revenue is recognized when it is earned.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income, dividend income and changes in fair value.

Interest income is recognized on a time apportionment basis; dividend income is recognized as of the ex-dividend date; and changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Organization has elected to include in changes in fair value interest income (including amortization of bond investment premiums and discounts) and the interest in net income of pooled funds.

Tangible capital assets and intangible asset

Tangible capital assets and the intangible asset acquired are recorded at cost.

Amortization

Tangible capital assets and the intangible asset are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

	Rates
Computer equipment and software	33%
Office equipment	20%

Write down

When the Organization recognizes that a tangible capital asset or an intangible asset no longer has any long-term service potential, the excess of net carrying amount of the tangible capital asset or the intangible asset over its residual value is recognized as an expense in the statement of operations.

Foreign currency translation

The Organization uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Nonmonetary assets and liabilities are translated at historical exchange rates, except those recognized at fair value, which are translated at the exchange rate in effect at the date of the statement of financial position. Revenues and expenses are translated at the exchange rate in effect on the date they are recognized, except for amortization of tangible capital assets translated at the historical exchange rates, which is translated at the same exchange rates as the related assets. The related exchange gains and losses are recognized in the statement of operations for the year.

3. RESTRICTIONS ON NET ASSETS

The net assets restricted for the financing of operating activities, and subject to internally imposed restrictions by the Board of Directors, must be maintained to finance the Organization's operating activities.

4. TRANSFER

	2014	2013
	$	$
Amount obtained from the formula of endowment spending	1,887	1,892
Net investment income (a)	5,972	2,923
	(4,085)	(1,031)

(a) The decrease in value in the restricted account and the offsetting amount that is unrestricted include the unrealized gain during the year on the assets in the restricted account.

To finance the operating activities of the Organization, the Board of Directors authorizes an annual transfer of resources from restricted net assets to unrestricted net assets. This transfer of resources is determined using a formula approved by the Board of Directors.

5. NET INVESTMENT INCOME

	2014	2013
	$	$
Investments measured at fair value		
Changes in fair value	5,485	2,408
Dividends	794	658
	6,279	3,066
Transaction costs	(307)	(143)
	5,972	2,923

6. INFORMATION INCLUDED IN CASH FLOWS

The net change in working capital items is detailed as follows:

	2014	2013
	$	$
Trade and other receivables	52	(223)
Prepaid expenses	(16)	8
Trade payables and other operating liabilities	(5)	120
Subscription and advertising revenue collected in advance	(39)	
Deferred contributions	(35)	(57)
	(43)	(152)

7. TRADE AND OTHER RECEIVABLES

	2014	2013
	$	$
Trade accounts receivable	44	179
Accounts receivable on disposal of investments	43	113
Sales taxes receivable	62	67
Dividends receivable	158	
	307	359

8. INVESTMENTS

	2014	2013
	$	$
Equities and other investments		
Pooled money market funds	40	30
Shares		
Canadian Pooled equity funds	12,057	9,984
United States Pooled equity funds	8,964	7,655
Other foreign Pooled equity funds	8,946	7,711
	30,007	25,380
Bonds		
Federal government, 1.5% to 4.25% (1.5% to 4.25% in 2013), maturing on different dates from December 2014 to December 2044	4,355	4,829
Provincial government, 2.05% to 6.3% (4.25% to 5.7% in 2013), maturing on different dates from December 2014 to September 2052	638	251
Corporations, 2.05% to 12.2% (2.05% to 12.2% in 2013), maturing on different dates from June 2014 to July 2053	4,535	5,009
	9,528	10,089
	39,535	35,469

9. TANGIBLE CAPITAL ASSETS

			2014	2013
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	$	$	$	$
Computer equipment	390	379	11	11
Office equipment	140	130	10	11
Asset under capital lease Office equipment	12	6	6	9
	542	515	27	31

10. INTANGIBLE ASSET

	2014	2013
	$	$
Software	2	

11. BANK LOAN

The line of credit, for an authorized amount of $470, is unsecured, bears interest at prime rate plus 1% (4% as at March 31, 2014) and is renegotiable in September 2014.

12. TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2014	2013
	$	$
Trade payables	176	191
Salaries payable	24	15
Benefits payable	15	14
	215	220

Government remittances total $15 as at March 31, 2014 ($14 as at March 31, 2013).

13. DEFERRED CONTRIBUTIONS

	2014	2013
	$	$
Fifth Decade Fund		
Balance, beginning of year	89	146
Amount recognized in operations	(35)	(57)
Balance, end of year	54	89

The Fifth Decade Fund represents amounts received and restricted for purposes specified by the president.

14. OBLIGATION UNDER A CAPITAL LEASE

	2014	2013
	$	$
Obligation under a capital lease for office equipment, 10.4%, expiring in February, 2017	7	9
Current portion	2	2
	5	7

The minimum lease payments under the capital lease for the next years and the balance of the obligation are as follows:

	$
Years ending March 31	
2015	3
2016	3
2017	2
Total minimum lease payments	8
Interest expense included in minimum lease payments	1
Balance of the obligation	7

15. FINANCIAL INSTRUMENTS

Financial risks

The Organization's main financial risk exposure is detailed as follows.

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are trade and other receivables, except for sales taxes receivable, pooled fund and corporations bond investments since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization. Additionally, the pooled fund investments also indirectly expose the Organization to credit risk.

The credit risk regarding cash is considered to be negligible because it is held by reputable financial institutions with an investment grade external credit rating. The credit risk related to federal and provincial governments bond investments is also considered negligible.

Market risk

The Organization's financial instruments expose it to market risk, in particular, currency risk, interest rate risk and other price risk, resulting from its operating, investing and financing activities:

- Currency risk:
  As at March 31, 2014, the Organization is exposed to currency risk due to cash and investments denominated in US dollars totalling $4,035 ($3,794 as at March 31, 2013);
- Interest rate risk:
  The Organization is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed interest rates.

  The bond investments, the bank loan and the obligation under a capital lease bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

  Additionally, the pooled fund investments also indirectly expose the Organization to interest rate risk;
- Other price risk:
  The Organization is exposed to other price risk due to pooled fund and share investments since changes in market prices could result in changes in fair value or cash flows of these instruments.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

Carrying amount of financial assets by category

The carrying amount of the Organization's financial assets that are measured at amortized cost totals $430 ($292 as at March 31, 2013), whereas the carrying amount of financial assets measured at fair value totals $40 ($35 as at March 31, 2013).

Guaranteed financial liabilities

As at March 31, 2014, the carrying amount of guaranteed financial liabilities is $7.

16. COMMITMENTS

The Organization has entered into long-term lease agreements and a service contract expiring by 2022, which call for payments of $637 for the rental of equipment and office space and services. Minimum lease payments for the next years are $82 in 2015, $84 in 2016, $88 in 2017, $90 in 2018, and $293 in 2019 and the following years.

FOOTNOTES ON GRAPHS

Page 7
Christopher Worswick, *Economic Implications of Recent Changes to the Temporary Foreign Worker Program* (IRPP Insight, October 2013).
Source: CIC, *Facts and Figures*, 2006 and 2012.

Page 9
Michael Wolfson, *Not-So-Modest Options for Expanding the CPP/QPP* (IRPP Study, July 2013).
Source: Author's calculations.
[1] The wedge option is my proposal for increasing the current CPP/QPP replacement rate to 40 percent on earnings above half the average industrial wage and doubling the maximum contribution ceiling (see Wolfson 2011).
[2] YMPE = year's maximum pensionable earnings in the CPP/QPP.
[3] The CLC option is the proposal by the Canadian Labour Congress for doubling the current CPP/QPP replacement rate.
[4] Updated career average earnings is a measure of average earnings over one's career, discounted using an index of the average wage.

Page 11
OECD calculations based on the World Top Income Database.
Note: Incomes refer to pre-tax incomes, excluding capital gains.

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